

CANADA MALTING CO.  
LIMITED



ANNUAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 1967



# CANADA MALTING CO., LIMITED

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## *Board of Directors*

DOUGLAS W. AMBRIDGE, C.B.E., B.Sc.  
NIGEL B. BAIRD  
ERIC S. CLARKE  
HARRY F. GRAESSER  
W. DOUGLAS HATCH

JOHN P. HEIGHTON  
GORDON McMILLAN, Q.C.  
GEORGE H. SELLERS  
REGINALD J. THOMAS  
GEORGE T. VALENTINE

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## *Officers*

ERIC S. CLARKE . . . . .	CHAIRMAN AND CHIEF EXECUTIVE OFFICER
GEORGE T. VALENTINE . . . . .	PRESIDENT
HARRY F. GRAESSER . . . . .	VICE-PRESIDENT AND GENERAL MANAGER
STANTON J. BURKETT . . . . .	VICE-PRESIDENT — SALES
REGINALD J. THOMAS . . . . .	SECRETARY AND COMPTROLLER
WALTER W. COMBER . . . . .	TREASURER

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## *Transfer Agent*

CANADA PERMANENT TRUST COMPANY  
TORONTO, ONTARIO - - MONTREAL, QUEBEC  
CALGARY, ALBERTA

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## *Registrar*

MONTREAL TRUST COMPANY  
TORONTO, ONTARIO - - MONTREAL, QUEBEC  
CALGARY, ALBERTA

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS OF  
**CANADA MALTING CO., LIMITED**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1967

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The Board of Directors submits herewith the Annual Report of your Company together with the Financial Statements for the twelve months ended December 31, 1967, with the Report thereon by the Auditors of the Company, Price Waterhouse & Co.

Net earnings for the year were \$1,505,342, equal to \$1.74 per share, as against net earnings for 1966 of \$1,606,109, or \$1.86 per share. We show an increase in our volume of domestic and export shipments of 2.80%, but the lower earnings reflect the higher cost of materials and higher operating expenses.

You will note the decrease in the value of our marketable securities. The securities are being sold to finance the redemption of part of the preferred stock being issued as a stock dividend to the shareholders. Two of the five \$1.00 preferred shares are being redeemed March 15th, 1968, leaving three shares to be redeemed later as funds are available.

The addition to the Calgary plant was completed on schedule and is operating in a satisfactory manner. The amount paid on the new addition to December 31st was \$1,212,000, and we are of the opinion that the total cost will be approximately \$1,250,000, which amount was mentioned in our last Report. The balance of the capital expenditures for 1967 equalled \$185,398. Your plants and properties are in good condition.

Once again your Directors express their thanks to all employees who co-operate so willingly to make each year successful.

On behalf of the Directors,

GEORGE T. VALENTINE,  
President.

# CANADA MALTING CO., LIMITED

## STATEMENT OF EARNINGS

	Year ended December 31	
	1967	1966
Net Sales .....	\$31,826,760	\$30,715,082
Costs and expenses:		
Cost of products sold and all expenses except the items shown below ..	27,747,282	26,439,291
Provision for depreciation .....	1,103,075	1,089,950
	<u>28,850,357</u>	<u>27,529,241</u>
Earnings from operations .....	2,976,403	3,185,841
Investment and other income (Note 3) .....	199,939	185,268
	<u>3,176,342</u>	<u>3,371,109</u>
Provision for income taxes (Note 1) .....	1,671,000	1,765,000
Net earnings for the year .....	<u>\$ 1,505,342</u>	<u>\$ 1,606,109</u>

## STATEMENT OF EARNINGS EMPLOYED IN THE BUSINESS

	Year ended December 31	
	1967	1966
Balance at beginning of year .....	\$ 9,230,499	\$ 8,488,278
ADD:		
Net earnings for the year .....	1,505,342	1,606,109
Gain on sale of securities .....	751,173	—
	<u>11,487,014</u>	<u>10,094,387</u>

### DEDUCT:

Tax paid on undistributed income under Section 105 of the Income Tax Act .....	745,472	—
Dividends paid on common shares .....	863,888	863,888
	<u>1,609,360</u>	<u>863,888</u>
Balance at end of year .....	<u>\$ 9,877,654</u>	<u>\$ 9,230,499</u>

CANADA MALT  
BALA

A S S E T S

	<u>December 31</u>	
	<u>1967</u>	<u>1966</u>
<b>CURRENT ASSETS:</b>		
Cash .....	\$ 2,400	\$ 2,300
Marketable securities, at cost (Quoted market value 1967 — \$1,436,637; 1966 — \$2,127,184) .....	74,921	263,994
Accounts receivable, less allowance for doubtful accounts.....	3,303,490	3,886,228
Inventories:		
Malt, barley, etc., valued at the lower of approximate cost or market	10,894,061	10,776,377
Operating supplies, at not in excess of cost.....	279,529	269,165
Prepaid expenses .....	99,094	123,493
	<u>14,653,495</u>	<u>15,321,557</u>

**OTHER ASSETS:**

Investment in and advances to Hugh Baird & Sons, Limited (50% owned):		
Investment in shares, at cost .....	2,499,484	2,499,484
Advance .....	600,000	600,000
Grain Exchange Seats and Membership in Clearing Associations, less amounts written off .....	1	1
Special refundable tax .....	<u>106,605</u>	<u>75,350</u>
	<u>3,206,090</u>	<u>3,174,835</u>

**FIXED ASSETS**, at depreciated replacement values on February 28, 1955  
as reported by Canadian Appraisal Company Limited, plus subsequent  
additions at cost:

Land .....	547,559	547,559
Buildings, plant and equipment .....	<u>27,236,564</u>	<u>25,941,913</u>
	<u>27,784,123</u>	<u>26,489,472</u>
Less — Accumulated depreciation .....	<u>11,888,990</u>	<u>10,873,433</u>
	<u>15,895,133</u>	<u>15,616,039</u>
	<u><u>\$33,754,718</u></u>	<u><u>\$34,112,431</u></u>

## G CO., LIMITED

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## LIABILITIES

	December 31	
	<u>1967</u>	<u>1966</u>
<b>CURRENT LIABILITIES:</b>		
Bank advances .....	\$ 1,202,960	\$ 1,756,598
Accounts payable and accrued .....	1,553,163	1,406,362
Taxes on income.....	<u>640,950</u>	<u>1,073,981</u>
	3,397,073	4,236,941
DEFERRED INCOME TAXES (Note 1) .....	551,650	716,650
<b>SHAREHOLDERS' EQUITY:</b>		
Capital stock (Note 2):		
Authorized —		
101,028 4½ % cumulative redeemable preferred shares of		
a par value of \$26 each		
1,200,000 common shares without nominal or par value		
Issued —		
863,888 common shares .....	5,099,665	5,099,665
Earnings employed in the business, per statement attached.....	<u>9,877,654</u>	<u>9,230,499</u>
	14,977,319	14,330,164
Excess of appraised value of fixed assets over depreciated book value on February 28, 1955 .....	<u>14,828,676</u>	<u>14,828,676</u>
	29,805,995	29,158,840

Approved on behalf of the Board:

ERIC S. CLARKE, *Director*GEORGE T. VALENTINE, *Director*\$33,754,718    \$34,112,431

# CANADA MALTING CO., LIMITED

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	<u>Year ended December 31</u>	
	<u>1967</u>	<u>1966</u>
<b>Source of funds:</b>		
Net earnings .....	\$ 1,505,342	\$ 1,606,109
Charges (credits) against earnings not affecting cash outlay —		
Provision for depreciation .....	1,103,075	1,089,950
Decrease in deferred income taxes .....	<u>(165,000)</u>	<u>(212,350)</u>
Funds provided from operations .....	2,443,417	2,483,709
Gain on sale of securities .....	<u>751,173</u>	<u>—</u>
	3,194,590	2,483,709
 <b>Application of funds:</b>		
Expenditures for fixed assets (net) .....	1,382,169	146,926
Dividends paid on common shares .....	863,888	863,888
Special refundable tax .....	31,255	75,350
Tax paid on undistributed income under Section 105 of the Income Tax Act .....	<u>745,472</u>	<u>—</u>
	3,022,784	1,086,164
Resulting in an increase in working capital of .....	171,806	1,397,545
Working capital at beginning of year .....	<u>11,084,616</u>	<u>9,687,071</u>
Working capital at end of year .....	<u>\$11,256,422</u>	<u>\$11,084,616</u>

# **CANADA MALTING CO., LIMITED**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 1967**

1. Depreciation recorded in the accounts for 1967 exceeds the amount deductible for tax purposes. The resulting income tax of \$165,000 in excess of the 1967 provision has been charged against the deferred income taxes set aside for that purpose in prior years.
2. Under by-law No. 22 of the company, sanctioned by the shareholders on January 4, 1968 and confirmed by Supplementary Letters Patent, it was resolved that:
  - (1) The authorized capital of the company be decreased by cancelling 101,028 4½ % cumulative redeemable preferred shares of a par value of \$26 each.
  - (2) The authorized capital of the company be increased by the creation of 10,000,000 preferred shares of a par value of \$1 each, issuable in series, of which 2,000,000 shares are designated as 6% non-cumulative redeemable Series A preferred shares and 3,000,000 shares are designated as 6% cumulative redeemable Series B preferred shares.A stock dividend of 1,727,776 Series A preferred shares and 2,591,664 Series B preferred shares was declared, payable March 15, 1968. The Series A shares will be redeemable at par immediately after the issue thereof.
3. Investment and other income includes dividends from Hugh Baird & Sons, Limited of \$101,198 (1966 - \$92,842) and interest earned on advances to that company of \$38,178 (1966 - \$38,795).
4. Total remuneration of directors and senior officers for 1967 amounted to \$235,915, including remuneration of salaried directors and directors' fees of \$165,474.

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### **AUDITORS' REPORT**

To the Shareholders of  
Canada Malting Co., Limited:

We have examined the balance sheet of Canada Malting Co., Limited as at December 31, 1967 and the statements of earnings, earnings employed in the business and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

**PRICE WATERHOUSE & CO.**  
Chartered Accountants.

Toronto, Ontario  
February 23, 1968

# CANADA MALTING CO., LIMITED

## *Malthouses and Elevators*

Montreal, Que.

Winnipeg, Man.

Toronto, Ont.

Calgary, Alta.

Port Arthur, Ont.

### **Head Office**



